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# URBAN BUSINESS PROFILE

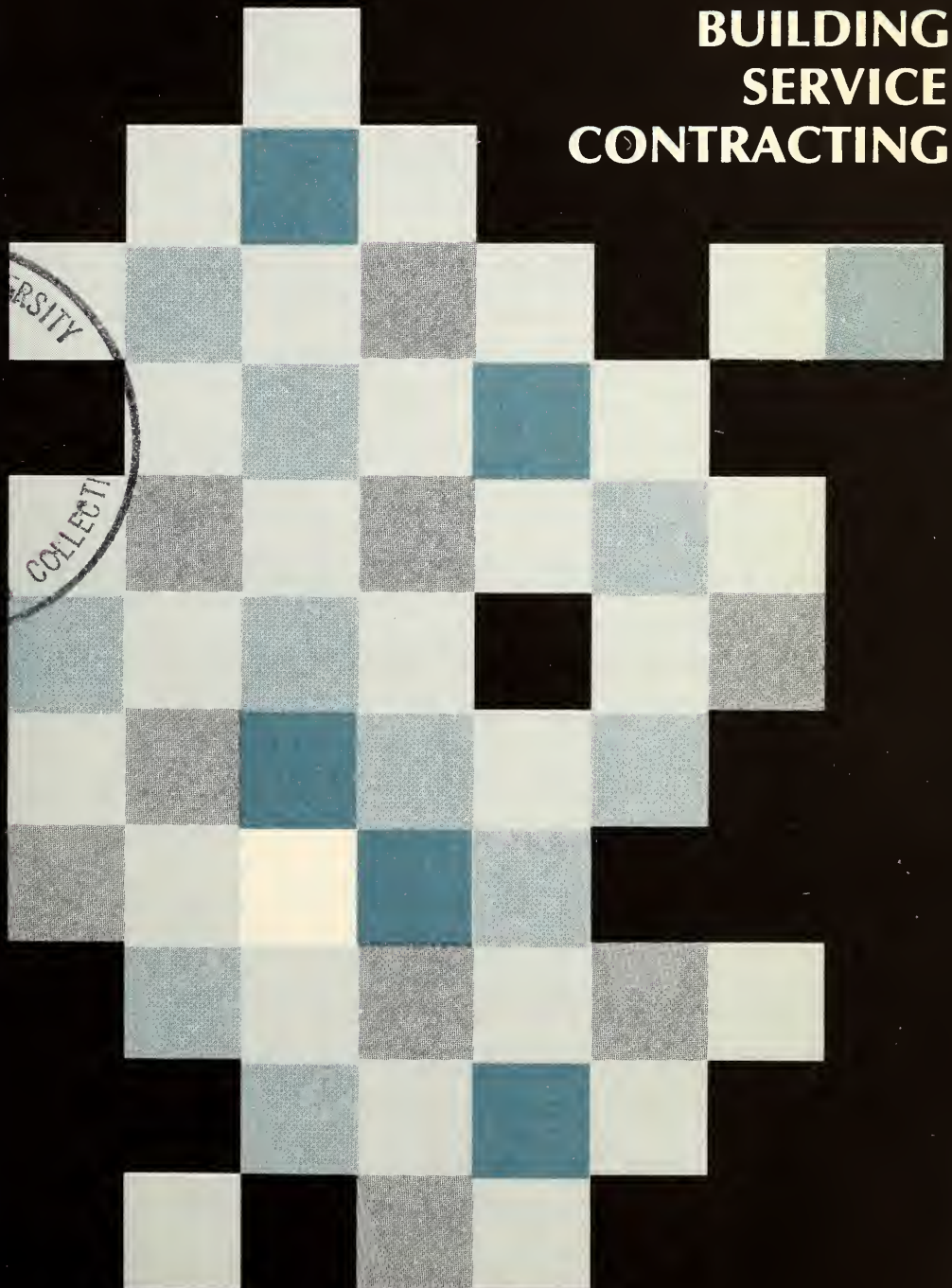
**BUILDING  
SERVICE  
CONTRACTING**



**U.S.  
DEPARTMENT  
OF  
COMMERCE**

Economic  
Development  
Administration

Office of  
Minority Business  
Enterprise





# **URBAN BUSINESS PROFILE**

## **BUILDING SERVICE CONTRACTING**

SIC 7349

April 1972  
EDA-72-59582

**Prepared for  
ECONOMIC DEVELOPMENT ADMINISTRATION  
in cooperation with  
OFFICE OF MINORITY BUSINESS ENTERPRISE**

**U. S. DEPARTMENT OF COMMERCE  
Washington, D.C. 20230**

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# IDAHO BUSINESS PUBLICATION

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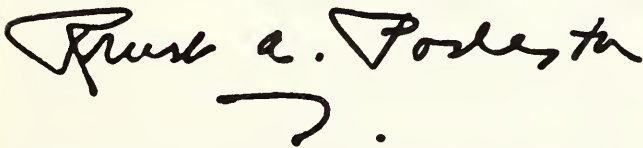
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## FOREWORD

As part of a continuing program to provide encouragement and assistance to small business ventures, the U.S. Department of Commerce is issuing a series of Urban Business Profiles.

It is hoped that these reports will serve as a meaningful vehicle to introduce the prospective small urban entrepreneur to selected urban-oriented businesses. More specifically, a judicious use of these profiles could: provide a potential businessman with a better understanding of the opportunities, requirements, and problems associated with particular businesses; provide guidelines on types of information required for location-specific feasibility studies; assist urban development groups in their business creation activities.

A handwritten signature in black ink, reading "Robert A. Podesta". The signature is fluid and cursive, with a large initial "R" and a stylized "P".

Robert A. Podesta  
*Assistant Secretary  
for Economic Development*



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OFFICE OF MINORITY BUSINESS ENTERPRISE (OMBE) AFFILIATES

URBAN BUSINESS PROFILES

# **URBAN BUSINESS PROFILE**

## **Building Service Contracting**

**(SIC 7349)**

### **I. RECOMMENDATION**

Building maintenance service is one of the fastest growing industries in the United States today. The growth of the service sector of the economy, the increasing urban concentration, and an ever-growing tendency for office building owners to "contract out" their office building cleaning needs combine to support a current industry growth rate of 15 percent. The attractiveness of this market and its relative ease of entry have caused a high level of competition among building maintenance contractors. Firms obtain business largely on the basis of price competition in bidding, though an established reputation for reliability is also important. These industry characteristics, along with the labor intensive nature of building maintenance services, underscore the importance of managerial skills to success.

The building maintenance industry employs a large number of minority workers, and there exists a growing number of such persons with experience in supervisory positions. An experienced maintenance crew supervisor, who acquires independently or through franchiser training practical skill in cost estimating, bidding, and employee management, can earn a moderate return on his time and invested capital in the building maintenance service business.

### **II. DESCRIPTION OF THE INDUSTRY**

#### **A. Identification**

Building maintenance services are included in Standard Industrial Classification (SIC) 7349, Miscellaneous Services to Dwellings and other Buildings, described as:

Establishments primarily engaged in furnishing, to dwellings and other buildings, specialized services not elsewhere classified, such as janitorial services, floor waxing, office cleaning.

Building maintenance contracting is a service-oriented activity providing janitorial and related services to homes, small businesses,

commercial office buildings, hospitals, apartment houses, government offices, factories, hotels, motels, schools, etc. Services provided include such things as:

- Dusting, dustmopping of floor areas.
- Other floor cleaning, including vacuuming, floor waxing and buffing, wet mopping, and stripping and machine scrubbing.
- Toilet room cleaning.
- Cleaning of stairways and landings, as necessary.
- Cleaning of walls, woodwork and partitions.
- Cleaning of building exterior.
- Window washing, as necessary.

Sample building maintenance specifications, detailing the required services, are attached as appendix A of this report.

In addition to those services listed above, a building maintenance contractor may provide what is known as the "total maintenance concept." This includes the provision of heating, air conditioning, and electrical engineers, painters, carpenters, yardmen, and garage personnel. Other operations handled under such a contract might include elevator operators and dispatchers, guards and lobby dispatchers, and specialized personnel who might be required by the particular building or institution.

There is a decided trend toward this total concept form of building maintenance. If a building services contractor is not himself equipped to handle all the above-mentioned services, he may contract with the building owner to provide them, then subcontract those services which he himself is not equipped to perform. This tends to make the building maintenance contractor more attractive to his prospective client. A building owner or manager is interested in receiving the best maintenance at the lowest possible cost with the least visibility. This is best provided by the one contractor who renders *all* the services required by the building. In the total concept plan, the contractor in effect serves as the "middle man," presenting the building owner with a completed product—a clean and efficiently run building.

## **B. Dimensions**

There were some 9,675 businesses with payrolls in 1967 which provided general building maintenance and janitorial services on a contract basis, according to the 1967 Census of Business of the U. S. Department of Commerce. These businesses earned gross receipts of \$884 million and paid wages amounting to over \$555 million during 1967. These figures indicate that there has been significant growth



in the industry since 1963, when there were 6,949 businesses, \$500 million in receipts, and payrolls totaled \$317 million.

It is currently estimated that over half of all building maintenance service firms are unaccounted for by these statistics, as they report no payroll in census data. Current figures are unavailable, but, in 1963, 9,414 firms provided contract building maintenance service with no employees in addition to the proprietor and perhaps members of his family. This large number of one-man firms account for only a small fraction of total industry earnings, however. These 9,414 proprietors reported only about \$38½ million in receipts in 1963, the last year in which data were collected for these nonpayroll firms.

The structure of the industry is suggested by the accompanying breakdown of all the 1963 reporting firms by size in terms of receipts.

TABLE 1  
Dimensions of the Industry—1963

Size of establishment (By receipts)	Establishments (Number)	Receipts (\$000)	Payroll entire year (\$000)
Total, all establishments	16,363	538,523	316,893
Establishments operated entire year, total	14,074	508,005	301,422
With annual receipts of:			
\$500,000 or more	175	N.A.	N.A.
\$300,000 to \$500,000	140	N.A.	N.A.
\$100,000 to \$300,000	554	90,554	56,157
\$ 50,000 to \$100,000	625	43,362	24,040
\$ 30,000 to \$ 50,000	721	27,178	13,077
\$ 20,000 to \$ 30,000	852	20,426	8,272
\$ 15,000 to \$ 20,000	715	12,096	4,218
\$ 10,000 to \$ 15,000	1,250	14,969	4,195
\$ 5,000 to \$ 10,000	3,101	20,483	2,980
\$ 3,000 to \$ 5,000	2,358	8,051	634
\$ 2,000 to \$ 3,000	2,063	4,126	326
Less than \$ 2,000	1,490	1,490	182
New establishments in business at end of year	2,289	\$ 20,085	\$ 9,940

The current market for building services is over \$1 billion. It is estimated by Building Services Contractor (the leading trade publication in the field) that by 1976, more than \$2 billion a year will be spent on commercial, institutional, and industrial cleaning services. The same source estimates that over 30 percent of the Nation's office buildings and factories were cleaned by outside contractors in 1968, compared with 15 percent only 5 years before. Combining this growing share of the office building market with the rapid rise in industrial and commercial construction affords a glimpse of the growth potential of this industry.

The trend today is toward greater concentration within the industry. That is, while there are still a great many small establishments, larger establishments are accounting for an ever greater portion of the gross receipts. Most of the building maintenance service establishments are located in urban areas for the obvious reasons. The cities provide the concentration of business, commercial, and government buildings to be serviced, as well as employee availability. In particular, the contractor will find his clients among predominantly urban facilities (in addition to commercial office space), such as railroad stations, department stores, sports stadia, airports, etc. New York City, for example, where over 95 percent of all the large office buildings are cleaned and maintained by service establishments, accounts for one of the largest concentrations of building service contractors in the Nation.

Minority entrepreneurship in this field is relatively scarce. According to industry sources, only about 5 percent of the establishments grossing from \$100,000 to \$1 million annually are minority owned. However, this figure is above the national average for all businesses of this size. Because a major portion of the work force in this field is now made up of minority group members, there exists a growing pool of minority individuals with some experience in a supervisory capacity who might be able to make the transition from labor into management of building maintenance establishments.

### **C. Characteristics**

#### *1. Nature of the Product*

The building maintenance contractor serves building owners and/or managers. He provides these clients with a continuing service—a clean and well run building. The reliability of the building service contractor is being purchased as well as his cleaning ability—the assurance that the work will, in fact, be performed. Thus, the product can actually be broken down into two components: quantity and quality of cleaning and other building maintenance functions and the assurance that those functions will, in fact, be performed.

Building maintenance services are usually provided to building owners and managers on a contract basis. Contracts are generally for 1 year, with either party entitled to terminate upon 30 days' notice. Since building maintenance and janitorial services are performed on a continuing basis, the contractual system is the most efficient manner to insure the provision of these services. A sample Professional Building Maintenance Agreement is attached as appendix B.

## 2. *Nature of the Customer*

The customer of a building services contractor is the building owner or manager. As discussed above, the client *must* have the services provided by the building contractor—that is, he must have a clean, serviceable building. However, in order to achieve this goal, he may have the option of: (1) doing his own janitorial and other maintenance work; or (2) contracting such work to the building services. Which of these options will be chosen depends upon the size and complexity of the building to be maintained and the costs of performing the maintenance work with in-house staff compared to contracting out the work.

Building owners are finding—to a greater and greater degree—that it is more economical for them to contract out their janitorial and building maintenance functions. A firm devoted to maintenance work can afford to use the more advanced equipment being developed and can rely more heavily on specialization of labor. The result is that the contracting firm can usually do a better job for less money. Thus, a building owner will generally include the cost of a building maintenance contractor when computing the overall cost of the building. On an average, if a commercial office building rents space at \$6.50 per square foot, it will assume that maintenance costs will be \$.50 per square foot per year.

The customer will choose a building services contractor on the following basis:

- a) the contractor's ability to provide quality service;
- b) the contractor's reliability to assure that such services will, in fact, be provided; and
- c) the cost which will be required for these services.

On the other hand, how does the building services contractor decide for whose work he will bid? In undertaking market analysis of potential customers, the building services contractor will take into account such things as: the number of commercial, government, or other serviceable buildings or businesses in his market area; the amount, types, and degree of completion of new construction; the amount of potential business already accounted for; the possibility of providing services to those buildings already accounted for at a less expensive rate (due to the new contractor's lower overhead, lower salary requirement, or greater efficiency), etc.

The number and types of customers of a building services contractor will also depend upon certain characteristics of his own operation. These might include: number of employees on the payroll



at a given time; number of potential employees in the market areas; amount of equipment on hand or available; capital required for expansion and possibility of obtaining it.

Major locational determinants include the location of potential customers in relation to the dwellings of the contractor's employees and the location of the customer with respect to the contractor's place of business and storage supply. The contractor must decide if a building is, for example, so distant from the location of the cleaning equipment and the employees needed to do the cleaning that it is impractical for him to service it.

All of these factors are included in the contractor's estimating calculations. Cost estimating is one of the major skills required of the building services entrepreneur. He must accurately measure the above-listed factors, decide what weight to give each, and translate these decisions into a price which will be competitive and which will at the same time provide him with an acceptable profit level. These estimating procedures are discussed in greater detail below. An example of one possible estimating procedure is attached as appendix C of this report.

### 3. *Technology*

Building services contracting has traditionally been a labor intensive business. The main expense item of any contractor is his payroll. In a sense, the contractor is merely a "labor broker" who handles personnel problems for the building owner.

The new or prospective entrepreneur is likely to need a wide range of skills, preferably gained by experience as he develops an enterprise in the building maintenance field. He will probably do much (if not all) of the actual cleaning work at first, as well as the estimating of new jobs and the selling of his services. When the operation expands, the entrepreneur, while still cleaning, estimating, and selling, will have to train his new employees. In addition, growth will bring problems of accounting, inventory control, purchasing procedures. He will have to have a relatively high degree of proficiency to operate a successful establishment.

Once a business has become established, the entrepreneur of a building maintenance service can usually take out as profit 5 percent of the net receipts of the business, according to informed industry sources. The percentage will vary, of course, depending on:

a) the accuracy of entrepreneur's estimating procedures. If the entrepreneur does not estimate properly, profits built into business contracts will be consumed by costs overrun.



b) the extent of the competition on the contract. In some instances the entrepreneur will cut profit margins in an effort to win contracts.

c) the amount the entrepreneur wishes to reinvest in the establishment. This in turn will depend on the desired rate of growth.

The employees of a building services contractor are, for the most part, unskilled. (The major exceptions to this are window cleaners and any engineers provided.) Any training received is usually on-the-job, although some larger contractors are beginning to use classes to supplement this training.

Most employees used by the building services contractor are women, who are used for all but the heavy work. The majority of the employees in this field, particularly in the larger urban areas, are minority group members. Since most of building contract work is accomplished during the nighttime hours, it provides an excellent "moonlighting" job and a source of income for those with little formal training or education.

Wage rates for employees hover around the minimum wage rates applicable. In larger urban areas, wages are usually somewhat higher. In Washington, D.C., for example, with a minimum wage of \$1.65 per hour, the wages of building service employees range from \$1.75 to \$2 per hour, with \$1.90 per hour the average rate. Window cleaners' wages are higher, often ranging from \$4 to \$4.50 per hour and up.

In some locations, wage rates and availability of labor may be somewhat affected by unionization. (The building services industry is covered by the Building Service Employee Union, as well as others for the more specialized employees.) This is mainly true in highly industrialized towns which are in any case predominantly union. Elsewhere, the moonlighting nature of the jobs and rapid turnover among the employees have prevented unionization from taking hold.

One of the main problems of a building services contractor is the high turnover rate among his employees. Industry sources indicate that most remain on the job for a period of 2 to 6 months. This is an annual turnover rate of from 200 to 600 percent. This situation, again due to the moonlighting nature of the job, has caused a premium to be placed on reliability by the building services employer.

The high turnover rate has also led to increasing the screening procedures for potential employees of the building services company. Many job application forms now contain rather pointed questions involving: the reason the applicant desires work; whether or not he is buying a home; how long he has been on his present job, etc. The

whole object of such screening is for the contractor to acquire a "solid" employee who will have an interest in working and who will stay on the job.

Equipment required in the building services contractor field has been relatively basic in the past. A sample inventory of equipment is reproduced below:

Sweeper	
Buffer	
Brushes	
Floor pads	
Extension cords	
Mop bucket—round—oval	
Wringer	
Mop	
Dust mop handle	
Dustpan	
Trash containers	
Water pails	
Pushbroom	
Strawbroom	
Rubber gloves	
Uniforms	
Smocks	
Shirts	
Ammonia	
Bowl cleaner	
Cleanser	
Disinfectant	
Furniture polish	
Liquid detergent	
Floor finish	
Plastic bags	
Sanitary napkins	} occasional
Toilet seat covers	
Paper towels	

Recently, technological advances and greater sophistication have affected the equipment used by the building services contractor. In addition to the list of basic items reproduced above, such machines as institutional vacuums, high pressure cleaners, and power sweepers with centrifugal clutch are now available. These technological advances have affected profitability positively and have somewhat reduced labor requirements in the industry.

One major piece of equipment used by the building services contractor is a truck. The new entrepreneur may at first transport machines and supplies in a car or station wagon. Usually, however, the enterprise will develop to the point where one or more trucks are needed. In a survey performed by Building Services Contractor, the average number of trucks in operation per firm surveyed was 4.3.

The same survey noted that 92 percent of building services contractors keep a warehouse of expendable cleaning supplies, with the average firm keeping 54 days of normal consumption on hand. Being able to keep such stock on hand is a problem to be dealt with by any new entrepreneur.

There are definite economies of scale accruing to a building services contractor. These usually begin at annual gross revenues of \$500,000 and include savings on supplies, which can then be purchased directly from the manufacturer rather than from the distributor, savings on machines (with fewer having to be purchased for each additional \$100,000 of income), and easing of credit binds for the growing business.

#### 4. *Competition*

The largest form of competition the building services contractor has to face outside of his own industry is in the form of buildings which do their own in-house maintenance. This alternative is becoming more and more rare, however, as building administrators realize the advantage of contracting with a maintenance company. The building administrator is relieved of the worry of hiring and firing of maintenance employees, can rely on the contractor's use of more specialized labor, obtains the use of more advanced and complex equipment, and has no inventory problems in this area.

The growing market for the building maintenance services industry does not insure high margins and ease in securing work. However, a great many small contractors in this field assure intensive bidding competition, with the emphasis on shaving prices. Cost of maintenance is a primary determining factor in the choice of a building services contractor, and the building owner will, reputation for quality and reliability being equal, choose the contractor who comes in with the lowest bid for the job required. In this type of price competition, the large contractor has some advantages, the small contractor others. The large contractor may be able to provide equipment and supplies at a less costly rate than his smaller competitor because of economies of scale; the cost of "gearing up" to do a job, especially a large one, may be lower for him. On the other hand, the small contractor may have lower overhead, due to lower direct expenses and less equipment, and may be willing to have a smaller profit margin for the sake of getting the job and developing his reputation.

The problem of estimating must again be stressed. The small contractor, and especially the new entrepreneur, must be particularly



careful in his estimating procedures. A net deficit is likely to result from inaccurate decisions about costs and personnel requirements, and although a contractor may be willing to reduce his profit margin, maintaining a loss is hardly a sound business practice.

### 5. *Ease of Entry*

The ease of entry into building services contracting is attested to by the large number of firms beginning operation each year. There are no licensing requirements in this industry, and many contractors begin with no more than experience in the cleaning field, determination, and a small amount of capital. Because many businesses begin with no more than the owner and operator (and perhaps one other part-time employee), qualified employees do not present an immediate problem for the prospective entrepreneur. At this stage, no office or storage space is required, and a new enterprise can be operated from the entrepreneur's home. Between \$1,200 and \$1,500 monthly contracts may be sufficient to begin an operation if accurate cost estimation and time allocations have been made. The failure rate of building services contractors is, according to industry sources, higher than the combined rate for all businesses. Some of the reasons for failure cited by trade authorities include: overextension, resulting in inability to complete jobs properly and to the satisfaction of the client; poor estimating procedures, resulting in cost overruns and unprofitable contracts; lack of managerial experience, resulting in higher than usual labor turnover; competitive weakness because of lack of established reputation; and general administrative difficulties.

In addition, industry sources indicate that experience in the building maintenance field is almost essential to the success of an enterprise. The majority of contractors interviewed stated that they had worked for 6 months to 2 years in the field before attempting to branch out into independent operation, and many noted that it was this early experience that helped to insure their success.

### 6. *Financing*

It is difficult to estimate the capital requirements of a new or prospective building services contractor. Industry sources indicate that a rough rule of thumb is: have available capital in the amount of three times the expected first month's gross income. For example, an entrepreneur who has secured a contract that will produce monthly gross receipts of \$1,500 will be able to begin operations with \$4,500. This amount will cover the cost of supplies, salary for the entrepreneur and any employees he might require, and working capital requirements needed to carry him through the timelag in payment for past services.



There are no special programs or sources of capital for establishing a building services contractor. The Small Business Administration, however, has been quite active in providing regular business and economic opportunity loans in this field, a large portion of which have been to minority entrepreneurs. The breakdown of these loans is presented below.

TABLE 2  
SBA Regular Business and Economic Opportunity Loans:  
Building Maintenance and Janitorial Services

Number total	White and others	Percent	Black	Percent	Other nonwhite	Percent
60	33	55	23	38.3	4	6.7
Volume total	White and others	Percent	Black	Percent	Other nonwhite	Percent
\$750,250	\$522,300	69.6	\$186,950	24.9	\$41,000	5.5

Another form of organization and source of capitalization that is becoming increasingly popular in this field is the franchise arrangement. One of the largest franchise operations provides such assistance as training programs, managerial assistance, continuing counseling support, working equipment, supplies, advertising and promotions for a nominal fixed fee.

### 7. Profitability

As noted above, the reasonably successful building service contractor can expect an average of about 5 percent profit on net receipts. The industry can be expected to grow at about 15 percent per annum.

Factors tending to decrease profitability are: inaccurate cost estimation; the high labor turnover, with resultant costs; frequent theft of equipment and supplies; and overextension of operation.

### 8. Dependence on Outside Factors

The field of business maintenance contracting is less subject to the effects of economic conditions than are many industries or types of business. Building cleaning and maintenance needs exist irrespective of business cycles, and purchasers of these services usually think of them as fixed costs. One effect of the business cycle, however, is the decrease in construction during times of recession, in turn causing a decrease (or, more accurately, a less rapid increase) in the contractor's potential business. The availability of credit would most likely affect the building services contractor less than other areas of the economy.

### III. FEASIBILITY ANALYSIS

#### A. Review of Key Factors

The following factors bear on the feasibility of establishing a building service contracting business:

##### 1. *Management*

The new entrepreneur requires experience in the field of cleaning or building maintenance. At least 1 year working for an established firm will enable him to acquire the technique of accurate cost estimating which is essential to his success. Because personnel management is also vital, the new entrepreneur will need experience or potential in this field as well. If the prospective manager has shown some knack for selling, accounting, and ability to handle inventory, he is enhancing his chances for success.

##### 2. *Market*

The market for his services will determine the new contractor's success. Such a market can be analyzed in part by the following:

- a) concentration of office buildings in the area;
- b) new construction, noting state of completion;
- c) competition;
- d) the contractor's own reputation.

##### 3. *Location*

While not crucial at the early stages of operation, the contractor's offices and warehouses should be convenient both to his prospective clients and, if possible, to the homes of his employees.

##### 4. *Labor*

Although availability of labor is usually not a problem, retention and management of this labor can be problems. Employee benefits, profit-sharing and other such methods are often used to hold employees, and careful screening of applicants and training of employees are used to ease the management problem. The building services contractor may benefit from the activities of government-funded manpower programs which screen jobseekers and which provide basic education and pre-vocational training to them. Such programs as JOB 70, the Work Incentive Program (WIN), and on-the-job training under the Manpower Development and Training Act (MDTA O-J-T) would provide a ready source of potential employees in most

urban areas. An analysis of the quantity and quality of the work force is essential in assuming the potential feasibility of the enterprise.

### **B. Special Factors for New Minority Ventures**

The largest market for a building services contractor is in the urban areas. It is in urban areas, too, that there exists a reservoir of potential employees, many of them minority members. Thus, location and labor will serve as assets to the prospective minority entrepreneur who can also benefit from a continually growing market and the increasing acceptance of minority entrepreneurship.

### **C. Projections of Attainable Returns in Industry**

Projections follow for two different types of operations. The first is for a starting independent operation, with three part-time employees. The second is for a new franchise operation for professional building maintenance.

#### *1. Small, One-Man Operation*

The projections here are based on the following assumptions:

- a. A one-man operation, with the prospective entrepreneur having had some experience in the building maintenance field.
- b. Three part-time workers, each available for approximately 17 hours per week of employment at \$1.65 per hour.
- c. An initial investment by the manager of \$4,500.
- d. A 40-hour work week for the owner, who does both selling and supervising of the operation as well as some actual building maintenance work.
- e. Operation out of the home of the manager during at least the first year of operation, using the personal vehicle (car, station wagon, or small truck) for the business.
- f. A relatively high cash requirement, since the owner will be unable, as a new operator, to secure his supplies and equipment on credit and will require initial cash outlays.

As the following operating statements shows, such an operation, grossing \$18,000 per annum, might provide a net profit of about \$9,600. This figure is deceptively high, however. It does not take into account the owner's draw for salary and any amounts to be reinvested in the business.



<i>Gross Annual Revenue</i>		\$18,000
Investment	\$4,500	
Area served and customer type	7 to 12 buildings 4,000 to 6,000 sq. ft. each 36,000 sq. ft. total	
Production hours	74 hours per week	
Operating location	Works from own home	
Vehicles	Car, station wagon or used truck	
Equipment and material	\$3,000	
<i>Distribution of labor</i>		
Owner's function	Management, sales, and cleaning	
Number and type of employees	Owner, 3 part-time employees for cleaning	
<i>Fixed costs</i>		
Vehicle depreciation	\$ 500	
Equipment depreciation	750	
Telephone and yellow pages	50	
Rent, office help, supervisory, outside services	0	
	<hr/>	
Total fixed costs		\$ 1,300
<i>Variable costs</i>		
Labor	\$4,500	
Advertising, selling expenses	700	
Payroll tax, employee fringes	600	
Vehicle operating cost	1,000	
Liability insurance	300	
	<hr/>	
Total variable costs		\$ 7,100
Net profit before tax and owner's compensation		\$ 9,600

If the entrepreneur has had adequate experience in the field, if he is able to sell his services, if his cost-estimating procedures are accurate, and if he provides quality service, a 1st-year operation of this size is feasible. However, unless all of these characteristics are present, as well as a willingness by the new entrepreneur to forego present profits and reinvest heavily in his business, an establishment such as this cannot be maintained for any length of time.

## 2. Franchise Operation

The owner of a typical, but hypothetical, franchise must initially invest \$5,000. Of this amount, \$1,500 is paid to the franchiser for goods and services, including:

- The licensed use of the franchiser's trademark and training—\$900.
- Professional products, business forms, supplies and tools, sales promotion aids, and technical manuals—\$500.
- Equipment—\$100.



The training provided by the franchiser is particularly geared to servicing buildings, offices, and plants under contract. Because of such possible benefits as the established name of the franchiser, cost-cutting centralized purchase of supplies, advertising provided by the franchiser, and continuous consultation and advice, the franchisee may possess advantages over the independent operator. In addition, special financing is occasionally provided by the franchiser, making it easier for an individual to begin a business.

*New operation—Husband and wife or part-timer*

Investment	\$5,000
Area serviced and customer type	22,000 square feet 4 to 10 commercial buildings 4,000 to 6,000 square feet each
Operating location—works from home	
Vehicles—one truck, probably used	
Equipment—primarily supplied by franchiser	

*Distribution of labor*

Owner's functions—housekeeping, sales and management  
Number and type of employees—owner and wife, with  
one part-time employee

<i>Gross Annual Revenue</i>	\$15,000
-----------------------------	----------

*Fixed costs*

Vehicle depreciation	\$ 500
Equipment depreciation	50
Telephone and yellow pages	100
Rent, office help, outside services	50
Manager's administrative salary	<u>1,000</u>

Total fixed costs	\$ 1,700
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*Variable costs*

Manager's production salary	\$7,500
Labor (part-time)	1,750
Sales expense (advertising—paid by franchiser)	- 0 -
Vehicle operating cost	1,200
Franchising fee (percentage of gross income—here, 7 percent)	1,050
Liability insurance (paid by franchiser)	<u>- 0 -</u>

Total variable costs	\$11,500
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Total costs	\$13,200
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Profit before tax	\$ 1,800
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*Net to owner*

Manager's administrative salary	\$1,000
Manager's production salary	7,500
Profit before tax	<u>1,800</u>

Net to owner before taxes	\$10,300
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## **IV. ESTABLISHING THE BUSINESS**

### **A. Approaching the Market**

If he is planning an independent, one-man operation, the prospective building services contractor should have his market fairly well defined. In addition, he should have already secured contracts assuring him of \$1,500 monthly gross revenue. These agreements are made through previous contacts while working in the field. Ability to secure these contracts will indicate to the entrepreneur that his bidding has been price competitive, and if his performance is of acceptable quality, he should be able to maintain an independent operation at this level for at least 1 year.

The franchisee, on the other hand, does not require an initial knowledge of the cleaning industry. The franchiser trains him to be an expert professional cleaner. The franchiser also generally provides the new owner with an advertising and sales promotion program, other assorted sales aids, and instructions on their use. These benefits, added to the use of the franchise brand name and the advantage of its reputation, will ease the franchisee's approach to the market.

### **B. Plant Requirements**

The small, one-man operation requires minimum space and can comfortably be operated from the entrepreneur's home. The only room needed is a storage room for equipment and supplies; a garage or basement area will certainly suffice for the 1st year of operation at this level. The same is true for the beginning franchise.

Growth of the establishment will require office space and more storage space than can be adequately provided in the home. At this point, the entrepreneur will seek a location close to the buildings which he is servicing and as close as possible to the location of his employees. Office space may range from about 1,000 square feet for an establishment with 15 to 40 full- and part-time employees, to 22,000 square feet of office space for a 900-man operation. In addition, storage space may run 500 to 13,000 square feet, accordingly.

### **C. Financing**

The basic investment involved in building services contracting is the purchase of equipment and supplies. Although some financing arrangements may be made with equipment suppliers, expendable items such as chemicals, cleaning agents, and paper products will require a cash outlay. In addition, enough capital must be kept on hand to meet 1 month's payroll requirements, supplies, and rent.

(This is necessary because of the timelag between contractual agreement and actual payment.)

Because the initial capital requirement is relatively low, the building services contractor can often begin operation with his own savings or other private sources. If a franchise operation is contemplated, the franchiser is often willing to provide special financing arrangements. And it may be possible to secure a loan from the Small Business Administration. Unless the individual entrepreneur has an independently stable credit reputation, it may be difficult to secure conventional bank financing for this type of operation.

#### **D. Labor Force**

The labor force used by a building services contractor is, for the most part, unskilled. Although the wages are low, recruitment of employees is rarely a problem. The new entrepreneur, probably needing only two or possibly three part-time employees, will be able to recruit them through his previous business contacts or through the standard advertising methods.

As the enterprise develops, however, maintaining a reliable and efficient labor force will require special effort. Such an effort might include such things as profit sharing, bonuses for outstanding work, and other employee benefits. Raising the wage rate as much above the minimum wage as possible is probably the best method of securing and maintaining personnel.



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*BUILDING SERVICE CONTRACTOR*, 101 West 31st Street, New York,  
N. Y. 10001.

Trade magazine, published bimonthly. Each firm engaged in contract cleaning, maintenance services, and allied operations may obtain one copy bimonthly without charge, by a written request to the publishers. To all others, the subscription price is \$6 annually—\$10 for 2 years. Single current copies are available at \$1 per copy; back copies available at \$2 per copy.

*FORMS FOR THE BUILDING SERVICE CONTRACTOR*, National Association of Building Service Contractors, 2215 M Street, N.W., Washington, D. C. 20037. 1970.

Representative samples of forms used in building service contracting businesses throughout the country.

*1967 CENSUS OF BUSINESS—BC67-SA1*, Bureau of the Census, U. S. Department of Commerce, Washington, D. C. 20233.

*1963 CENSUS OF BUSINESS*, Bureau of the Census, U. S. Department of Commerce, Washington, D. C. 20233.

## TRADE ASSOCIATION

The trade association serving building service contractors is the National Association of Building Service Contractors. This association has over 550 members, primarily engaged in contracting of building maintenance service and janitorial cleaning. Associate members are manufacturers of cleaning supplies and equipment.

NABSC is located at 2215 M Street, N.W., Washington, D.C. 20037. It was founded in 1965 and serves as a representative voice of building services contractors. In addition, NABSC conducts studies in areas of interest to building services contractors, such as costs and ratios, industrial relations and personnel, marketing and sales, contract improvement, materials and supplies sources, etc.



# APPENDIX A

## Typical Specifications For Custodial Services

### 1. *Waste Paper—Ash Trays—Daily*

Waste baskets and ash trays shall be emptied daily. Ash trays shall be wiped clean. Trash generated by normal daily office routine shall be emptied into trash containers. Trash removal shall be provided by the *contractor or building owner*. If by contractor, he generally subcontracts.

### 2. *Dusting—Daily*

All furniture, file cabinets, and horizontal surfaces which can be reached while standing on the floor shall be dusted daily with a chemically treated cloth.

### 3. *Dust Mopping—Floors—Daily*

All noncarpeted floors shall be dust mopped with a treated yarn dust mop daily with special attention being given to areas under desks and furniture to prevent the accumulation of dust and dirt. Dust mopping shall be done after furniture has been dusted.

### 4. *Toilet Rooms—Daily*

- a. Wash all mirrors.
- b. Wash hand basins and hardware.
- c. Wash urinals.
- d. Wash toilet seats using disinfectant in water.
- e. Wash toilet bowls.
- f. Damp mop floor using disinfectant in water.
- g. Damp wipe, clean, and disinfect all tile and other surfaces. Spot wipe and clean where necessary. Walls and partitions are to be free of handprints and dust.
- h. Replenish hand soap, towels, and tissue. These expendable items shall be furnished by the building owner or contractor. In 90 percent of contracts, provided by the contractor.
- i. Toilet bowl brush shall be used on toilet bowls, and care shall be given to clean flush holes under rim of bowl and passage trap.
- j. Bowl cleaner shall be used at least once each month or more often if necessary.

5. *Stairways and Landings—Daily—As Necessary*

All stairways and landings shall be dust mopped with a treated yarn dust mop daily. Railings, ledges, and equipment shall be dusted daily. Spot cleaning of doors and walls shall be done as necessary. These floor areas shall be damp mopped, scrubbed, waxed, and buffed as necessary.

6. *Vacuuming—Daily*

All rugs in office areas and public spaces shall be vacuum cleaned daily. Hard-to-get spots and corners shall be cleaned with necessary tools.

7. *Floor Waxing & Buffing—Daily and As Necessary*

All noncarpeted resilient floors shall be waxed with Underwriter Laboratory approved materials. The frequency of the waxing shall be governed by the amount of wear due to weather and other conditions. The floors and traffic areas shall be waxed so as to maintain a uniform appearance throughout the entire building. Corridors and elevator floors shall be buffed daily.

8. *Wet Mopping—Daily and As Needed*

All waxed floors shall be damp mopped when dirt can not be swept or dusted, and spots shall be removed daily.

9. *Stripping and Machine Scrubbing—As Needed*

This operation shall be accomplished as frequently as necessary, depending on the need to remove dirt-embedded finishes, stains, spillages, and wax buildup.

10. *Water Coolers—Daily*

All water coolers shall be cleaned and polished daily.

11. *Spot Cleaning—Daily*

Walls, doors, painted woodworks, and interior glass shall be kept free from handprints and smudges which can be removed with cloth and neutral cleaner. The type of cleaner to be used shall be appropriate for the wall material.

12. *Ash Receivers—Daily*

Ash receivers shall be cleaned and sanitized as necessary.

13. *Lighting Fixtures—Semiannually—Annually*

All lighting fixtures shall be dusted every 6 months and washed annually.

14. *High Dusting—Quarterly*

Pipes, ledges, mouldings, etc., shall be dusted every 3 months.

15. *Venetian Blinds—Daily*

A sufficient number of venetian blinds shall be dusted or damp wiped daily so that all blinds shall be dusted every 90 days. Draperies shall be straightened and vacuumed.

16. *Walls, Woodwork, and Partitions—Quarterly*

All walls shall be brushed down every 3 months with approved wall duster or a vacuum cleaner.

17. *Glass Partitions and Doors—Monthly*

All glass partitions and doors shall be damp cleaned monthly.

18. *Window Washing—Quarterly*

All windows shall be washed inside and outside once every three months. [Often contracted out, because of high insurance risks, labor skills required, etc.]

19. *Air-Conditioning Grills—Monthly*

All areas around air-conditioning and return air grills shall be cleaned once each month.

20. *Elevators—Daily*

The interior surfaces and fixtures of the elevators and the elevator lobby doors shall be dusted daily and damp wiped as necessary.

21. *Polishing—Daily—Monthly*

All doorplates, kick plates, brass and metal fixtures within the building shall be wiped daily and polished monthly.

22. *Toilet Rooms—Daily* [This involves day laborers.]

Maid and/or porter shall make periodic checks of toilet and rest rooms, and shall replenish supplies, clean fixtures as necessary, empty waste cans, etc.



23. *Policing Floors—Daily* [This involves day laborers.]

Corridors, lobbies, and other public areas shall be kept free of wastepapers, cigarette butts, matches, etc.

24. *Entrance Lobby—Daily*

Entrance lobby shall be serviced daily. Lobby glass shall be washed and cleaned as necessary. Particular attention shall be given floor and glass doors during inclement weather.

25. *Building Exterior—Daily*

Entrance shall be swept clean of litter. Sidewalk shall be kept clean and free of snow and ice. Salt or other ice-melting material shall be furnished by the building management.

26. *General—As Necessary*

- a. Employees of contractor shall report to the building superintendent any conditions such as leaky faucets, stopped toilets and drains, broken fixtures, etc., or any other unusual happenings in buildings.
- b. Employees of contractor shall check windows and turn off all lights when night cleaning is finished.
- c. Employees of contractor shall have proper identification during hours of employment.
- d. Employees of contractor shall not disturb papers on desk, open drawers or cabinets, use telephones, televisions, radios, drink, or gamble while on duty. They shall report any open safes and cabinets to the building guard force or building management.
- e. Day employees shall be under supervision of the building superintendent. The duties and work schedule shall be agreed upon by contractor and building management.
- f. Daytime employees of contractor will wear uniforms. They will be neat and clean in appearance.
- g. No cleaning services shall be provided on legal holidays.

## **APPENDIX B**

### **Sample Professional Building Maintenance Agreement**

AGREEMENT made on \_\_\_\_\_ [date] \_\_\_\_\_ between \_\_\_\_\_ [contractor]  
and \_\_\_\_\_ [client] \_\_\_\_\_

NOW THEREFORE, the parties agree as follows:

1. Beginning on \_\_\_\_\_ [date] \_\_\_\_\_, Contractor will provide and perform for the Client the services described in the work schedule [see appendix A], in the buildings and areas to be serviced therein set forth.
2. All personnel furnished by the Contractor will be employees of the Contractor, and the Contractor will pay all salaries and expenses of, and all Federal social security taxes, Federal and State unemployment taxes, and any similar payroll taxes relating to such employees, and will carry workmen's compensation insurance for such employees. The Contractor will be considered for all purposes an independent contractor, and will not at any time directly or indirectly act as an agent, servant, or employee of the Client.
3. The Contractor will provide all proper safeguards and shall assume all risks incurred in performing its services hereunder.
4. The Contractor shall provide the insurance coverage agreed upon, include comprehensive liability coverage and workmen's compensation coverage.
5. Without limiting the responsibility of the Contractor for the proper conduct of its personnel and the cleaning of the areas to be serviced hereunder, the conduct of the cleaning personnel hereunder is to be guided by rules and regulations as agreed upon from time to time between the Client and the Contractor, and such additional special written instructions as may be issued by the Client to the Contractor from time to time through its designated agent.
6. The Contractor is responsible for the direct supervision of its personnel through its designated representative, and such representative will, in turn, be available at all reasonable times to report and confer with the designated agents of the Client with respect to services rendered.

7. The Contractor agrees that the cleaning services to be provided hereunder shall be performed by qualified, careful, and efficient employees in strict conformity with the best practices and highest applicable standards. The Contractor further agrees that upon the request of its Client, it will remove from services hereunder any of its employees who in the opinion of the Client are guilty of improper conduct or are not qualified to perform the work assigned to them.
8. It shall be understood and agreed that during the term of this agreement and for ninety (90) days thereafter, the Client will not, directly or indirectly, hire any person employed by the Contractor.
9. In exchange for performance of services hereunder, the Client shall make payment to the Contractor for services rendered hereunder at the rate of \_\_\_\_\_ per month. The Contractor will give the Client at least thirty (30) days notice of any price change for services rendered hereunder, and the Client will notify the Contractor of any changes in the use of the areas covered by this agreement and any additions to or changes in the furnishings or floor, wall, or ceiling surfaces forming a part of the Client's premises.
10. The Contractor will perform all services required hereunder, except when prevented by strike, lockout, act of God, accident, or other circumstances beyond its control.
11. This agreement shall continue in effect for 1 year from the date services are to begin, but may be terminated by either party by giving thirty (30) days written notice by registered mail addressed to the other party.



# APPENDIX C

## Estimating A Single Job\*

Assume that the building maintenance contractor is pricing the maintenance of 50,000 square feet of office space. The work is to be done each weekday evening after employees leave at 5 p.m. Calculations indicate that three men and a supervisor will be needed on a regular 40-hour week. The estimate should look like this:

### MATERIALS AND EQUIPMENT

(Approximately 15% of total labor costs)

Materials (per month)	\$ 160.00	
Prorated equipment depreciation	60.00	
Equipment repairs and maintenance	10.00	
		\$ 230.00

### LABOR COSTS

Number of men	Monthly hours	Wage rate	Monthly payroll	
3	480	\$2.25	\$1,080.00	
1 supervisor	160	\$2.60	416.00	
			\$1,496.00	
Vacation, sickleave, overtime factor, etc.—10%			149.60	
				\$ 1,645.60

### TAXES AND INSURANCE

**Social Security—5.2% of monthly payroll \$1,496.00	\$ 77.79	
State and Federal employment taxes 2% of monthly billing	30.71	
Insurance cost (prorated for total monthly billings on all accounts serviced by firm)	30.00	\$ 138.50
SUBTOTAL (70% of bid price)		\$ 2,014.10

To arrive at total price, divide subtotal by 70%

$$\$2,014.10 \div 70\% = \$2,877.28$$

15% of monthly contract for overhead =	\$ 431.59	
15% of monthly contract for profit =	431.59	\$ 863.18
TOTAL MONTHLY CONTRACT		\$ 2,877.28
TOTAL YEARLY CONTRACT		\$34,527.36
PER SQUARE FOOT PER YEAR		69¢

(National average ranges from 50¢ to 80¢ per square foot for maintenance)

\*Adapted from Building Services Contractor for April 1968.

\*\*As of July 1971.

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